

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Banks Township</b>	County <b>Antrim</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>5/17/06</b>	Date Accountant Report Submitted to State: <b>August 2, 2006</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter and Bishop, P.C.</b>			
Street Address <b>134 West Harris Street</b>		City <b>Cadillac</b>	State <b>MI</b>
		ZIP <b>49601</b>	
Accountant Signature 		Date <b>8/2/06</b>	

**BANKS TOWNSHIP, ANTRIM COUNTY**

**ELLSWORTH, MICHIGAN**

**MARCH 31, 2006**

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

MARCH 31, 2006

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 17, 2006

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Banks Township  
Antrim County  
Ellsworth, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Banks Township, Antrim County, Ellsworth, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Banks Township, Antrim County, Ellsworth, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 19-20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Banks Township, Antrim County, Ellsworth, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

Banks Township, a general law township located in Antrim County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Banks Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,108,395. Of this amount, \$249,487 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$418,260, an increase of \$16,020 in comparison with the prior year. About 59.6% is available for spending at the Township's discretion.
- ◆ The Township's total debt decreased by \$40,000 during the fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Banks Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

### **Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

### **Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$1,108,395 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Banks Township**  
**Net Assets as of March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b>Assets</b>	
Current Assets	\$ 418,752
Non Current Assets	
Capital Assets	\$ 929,974
Less: Accumulated Depreciation	<u>(239,839)</u>
Total Non Current Assets	<u>\$ 690,135</u>
<b>Total Assets</b>	<b><u><u>\$ 1,108,887</u></u></b>
<b>Liabilities</b>	
Other Liabilities	<u>\$ 492</u>
<b>Net Assets</b>	
Invested in Capital Assets	\$ 690,135
Restricted for Specific Purposes	168,773
Unrestricted	<u>249,487</u>
<b>Total Net Assets</b>	<b><u><u>\$ 1,108,395</u></u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,108,887</u></u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$249,487 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$20,733, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Banks Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2006**

	<u><b>Governmental Activities</b></u>
<u><b>Revenues</b></u>	
<b>Program Revenues</b>	
Charges for Services	\$ 5,094
<b>General Revenues</b>	
Taxes	269,369
Licenses and Permits	3,740
State Shared Revenue	95,154
Unrestricted Investment Earnings	53,128
Other	478
<b>Total Revenues</b>	<u>\$ 426,963</u>
<u><b>Expenses</b></u>	
Legislative	\$ 7,761
General Government	114,633
Public Safety	89,769
Public Works	143,325
Health and Welfare	15,067
Community and Economic Development	17,755
Recreation and Cultural	7,942
Other Functions	9,978
<b>Total Expenses</b>	<u>\$ 406,230</u>
Change in Net Assets	\$ 20,733
NET ASSETS - Beginning of Year	<u>1,087,662</u>
NET ASSETS - End of Year	<u><u>\$ 1,108,395</u></u>

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$20,733 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Banks Township comes from property taxes. The Township levied a millage for street maintenance and fire protection, in addition to the operating millages, this fiscal year. The Township levied 0.9626 mills for operating purposes, 0.9626 mills for road maintenance, and 1.450 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2006, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by public safety expenses that total 35.3% of total expenses. The Township spent \$143,325 in fiscal year 2006 on Public Safety expenses. General Government represented the next largest expense at \$114,633, or 28.2% of total expenses.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Banks Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Banks Township's governmental funds reported combined ending fund balances of \$418,260. Approximately 53.4% of this total amount (\$233,195) constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund increased its fund balance by \$256,797 which brings the fund balance to \$449,487. The General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. State shared revenues were collected in the amount of \$90,937.

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Municipal Street Fund** – The Municipal Street Fund decreased its fund balance by \$44,694 which brings the fund balance to \$33,529. This balance is reserved and must be used for road improvements.

The Township levied a road millage on the 2005 tax roll. This resulted in \$70,238 in tax related revenues during the current fiscal year.

**Fire Fund** – The Fire Fund decreased its fund balance by \$(196,029) which brings the fund balance to a deficit of \$(66,292).

The Township levied a fire millage on the 2005 tax roll. This resulted in \$103,363 in tax related revenues during the current fiscal year.

**Liquor Law Enforcement Fund** – The Liquor Law Enforcement Fund decreased its fund balance by \$54 which brings the fund balance to \$1,536. This balance is reserved and must be used for liquor law enforcement.

**Proprietary Fund** The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$690,135 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$10,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Banks Township**  
**Capital Assets as of March 31, 2006**

	<b>Governmental Activities</b>
Buildings	\$ 198,328
Building Improvements	77,476
Equipment and Vehicles	<u>654,170</u>
	\$ 929,974
Less Accumulated Depreciation	<u>(239,839)</u>
<b>Net Capital Assets</b>	<b><u>\$ 690,135</u></b>

There were no major capital asset events during the current fiscal year.

BANKS TOWNSHIP, ANTRIM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Long-Term Debt.** At the end of the current fiscal year, the Township did not have any long-term debt outstanding.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

The Township is undertaking a project to pave Hillman and Sinclair Roads at an approximate cost to the Township of \$13,741 for Hillman Road and \$9,900 for Sinclair Road.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Banks Township at P.O. Box 68, Ellsworth, Michigan 49729.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 62,000
Investments	323,702
Taxes Receivable	17,895
Due from Other Governments	<u>15,155</u>
Total Current Assets	<u>\$ 418,752</u>
 <u>CAPITAL ASSETS</u>	
Buildings	\$ 198,328
Building Improvements	77,476
Equipment and Vehicles	<u>654,170</u>
	\$ 929,974
Less Accumulated Depreciation	239,839
Net Capital Assets	<u>\$ 690,135</u>
 TOTAL ASSETS	 <u><u>\$ 1,108,887</u></u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	<u>\$ 492</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	\$ 690,135
Restricted for Road Improvements	33,529
Restricted for Fire Protection	133,708
Restricted for Liquor Law Enforcement	1,536
Unrestricted	<u>249,487</u>
	\$ 1,108,395
 TOTAL NET ASSETS	 <u><u>\$ 1,108,887</u></u>

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

					NET (EXPENSES)
					REVENUES
					AND CHANGE
					IN NET ASSETS
PROGRAM REVENUES					
					TOTAL
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 7,761	\$ 0	\$ 0	\$ 0	\$ (7,761)
General Government	114,633	5,094	0	0	(109,539)
Public Safety	89,769	0	0	0	(89,769)
Public Works	143,325	0	0	0	(143,325)
Health and Welfare	15,067	0	0	0	(15,067)
Community and Economic Development	17,755	0	0	0	(17,755)
Recreation and Cultural	7,942	0	0	0	(7,942)
Other Functions	9,978	0	0	0	(9,978)
Total Governmental Activities	\$ 406,230	\$ 5,094	\$ 0	\$ 0	\$ (401,136)
GENERAL REVENUES					
Taxes					\$ 269,369
Licenses and Permits					3,740
State Shared Revenue					95,154
Unrestricted Investment Earnings					53,128
Other					478
Total General Revenues					\$ 421,869
Change in Net Assets					\$ 20,733
NET ASSETS - Beginning of Year					1,087,662
NET ASSETS - End of Year					\$ 1,108,395

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	LIQUOR LAW ENFORCE- MENT FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 62,000	\$ 0	\$ 0	\$ 0	\$ 62,000
Investments	167,366	28,412	126,388	1,536	323,702
Taxes Receivable	5,117	5,117	7,661	0	17,895
Due from Other Governments	15,155	0	0	0	15,155
Due from Other Funds	40,000	0	0	0	40,000
Advances to Other Funds	160,000	0	0	0	160,000
Total Assets	<u>\$449,638</u>	<u>\$ 33,529</u>	<u>\$134,049</u>	<u>\$ 1,536</u>	<u>\$ 618,752</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 151	\$ 0	\$ 341	\$ 0	\$ 492
Due to Other Funds	0	0	40,000	0	40,000
Advances from Other Funds	0	0	160,000	0	160,000
Total Liabilities	<u>\$ 151</u>	<u>\$ 0</u>	<u>\$200,341</u>	<u>\$ 0</u>	<u>\$ 200,492</u>

FUND BALANCE - (DEFICIT)

Reserved for:					
Road Improvements	\$ 0	\$ 33,529	\$ 0	\$ 0	\$ 33,529
Liquor Law Enforcement	0	0	0	1,536	1,536
Advances to Other Funds	160,000	0	0	0	160,000
Unreserved					
Undesignated	289,487	0	(66,292)	0	223,195
Total Fund Balance (Deficit)	<u>\$449,487</u>	<u>\$ 33,529</u>	<u>\$ (66,292)</u>	<u>\$ 1,536</u>	<u>\$ 418,260</u>

TOTAL LIABILITIES AND  
FUND BALANCE

<u>\$449,638</u>	<u>\$ 33,529</u>	<u>\$134,049</u>	<u>\$ 1,536</u>	<u>\$ 618,752</u>
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The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$	418,260
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Buildings	\$	198,328	
Building Improvements		77,476	
Equipment and Vehicles		654,170	
Accumulated Depreciation		(239,839)	690,135

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>1,108,395</u>
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The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	MUNICIPAL STREET FUND	FIRE FUND	LIQUOR LAW ENFORCE- MENT FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 95,768	\$ 70,238	\$ 103,363	\$ 0	\$ 269,369
Licenses and Permits	3,740	0	0	0	3,740
State Grants	90,937	3,117	0	1,100	95,154
Charges for Services	3,074	0	2,020	0	5,094
Interest and Rents	50,131	365	2,561	71	53,128
Other Revenues	392	13	73	0	478
Total Revenues	\$ 244,042	\$ 73,733	\$ 108,017	\$ 1,171	\$ 426,963
<u>EXPENDITURES</u>					
Legislative	\$ 7,761	\$ 0	\$ 0	\$ 0	\$ 7,761
General Government	103,754	0	0	0	103,754
Public Safety	90	0	55,242	1,225	56,557
Public Works	14,898	128,424	0	0	143,322
Health and Welfare	15,067	0	0	0	15,067
Community and Economic Development	17,755	0	0	0	17,755
Recreation and Cultural	7,942	0	0	0	7,942
Other Functions	9,978	3	0	0	9,981
Debt Service	0	0	248,804	0	248,804
Total Expenditures	\$ 177,245	\$ 128,427	\$ 304,046	\$ 1,225	\$ 610,943
Excess (Deficiency) of Revenues Over Expenditures	\$ 66,797	\$ (54,694)	\$ (196,029)	\$ (54)	\$ (183,980)
<u>OTHER FINANCING SOURCES (USES)</u>					
Advances to Other Funds	\$ 200,000	\$ 0	\$ 0	\$ 0	\$ 200,000
Transfers In	0	10,000	0	0	10,000
Transfers Out	(10,000)	0	0	0	(10,000)
Total Other Financing Sources (Uses)	\$ 190,000	\$ 10,000	\$ 0	\$ 0	\$ 200,000
Net Change in Fund Balance	\$ 256,797	\$ (44,694)	\$ (196,029)	\$ (54)	\$ 16,020
<u>FUND BALANCE</u> - Beginning of Year	192,690	78,223	129,737	1,590	402,240
<u>FUND BALANCE</u> - (DEFICIT) - End of Year	\$ 449,487	\$ 33,529	\$ (66,292)	\$ 1,536	\$ 418,260

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ (183,980)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(35,287)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	<u>40,000</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (179,267)</u></u>

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$        39,337</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$        39,337</u>

The accompanying notes are an integral part of the financial statements.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Banks Township is a general law township located in Antrim County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Banks Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditures for road maintenance.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Liquor Enforcement Fund* accounts for revenue sources that are legally restricted to expenditures for liquor law enforcement.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Additionally Banks Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Banks Township totaled \$72,976,971, on which ad valorem taxes levied consisted of 0.9626 mills for Banks Township operating purposes and 0.9626 mills for Banks Township road improvements. These levies raised \$70,238 for operating purposes, \$70,238 for road improvements. In addition, the Township levied 1.4500 mills on real property valuation of \$71,246,285 raising \$103,363.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land improvements	20
Building	20-50
Building improvements	20-30
Public domain infrastructure	20-50
Vehicles	10
Equipment	5-20

Banks Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township began to capitalize and depreciate infrastructure April 1, 2004, in accordance with the Township's capitalization policy.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. *Budgetary Information***

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 28, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Charlevoix State Bank in Charlevoix, Michigan and MBIA Asset Management in Armonk, NY.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$374,715 of the government's bank balance of \$436,716 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. All of the Township's investments are classified as category 1.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

As of March 31, 2006 the Township held the following investments:

	CARRYING AMOUNT	FAIR VALUE
Investments – Primary Government		
Money Market	\$ 234,479	\$ 246,155
MBIA Asset Management	128,560	128,560
	<u>\$ 363,039</u>	<u>\$ 374,715</u>

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT
Carrying amount of Deposits	\$ 62,000
Carrying amount of Investments	<u>363,039</u>
Total	<u>\$ 425,039</u>
Government-wide Statement of Net Assets	
Cash	\$ 62,000
Investments	323,702
Statement of Fiduciary Assets and Liabilities	
Cash	<u>39,337</u>
Total	<u>\$ 425,039</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Municipal Street	Fire	Total
Receivables				
Taxes	\$ 5,117	\$ 5,117	\$ 7,661	\$ 17,895
Dues from Other Governments	15,115	0	0	15,155

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, being depreciated				
Buildings and Building Improvements	\$ 275,804	\$ 0	\$ 0	\$ 275,804
Equipment and Vehicles	654,170	0	0	654,170
Total capital assets, being depreciated	\$ 929,974	\$ 0	\$ 0	\$ 929,974
Less accumulated depreciation for:				
Buildings and Building Improvements	\$ 105,537	\$ 7,948	\$ 0	\$ 113,485
Equipment and Vehicles	99,015	27,339	0	126,354
Total accumulated depreciation	\$ 204,552	\$ 35,287	\$ 0	\$ 239,839
Governmental activities capital assets, net	\$ 725,422	\$(35,287)	\$ 0	\$ 690,135

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 10,879
Public Safety	24,408

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

**D. Interfund Receivables, Payables and Transfers**

The Township had no individual fund interfund receivable and payable balances at March 31, 2006.

Interfund Transfers as of March 31, 2006 were:

	TRANSFERS	
	IN	OUT
<u>Primary Government</u>		
General Fund	\$ 0	\$ 10,000
Municipal Street Fund	10,000	0
	\$ 10,000	\$ 10,000

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended March 31, 2006, the general fund made a transfer to the Municipal Street Fund to be used for road improvements.

**E. Leases**

The Township has entered into an income lease agreement with Noverr Publishing, Inc. dated December, 1997 to lease 4800 square feet of land in which a communications tower and antenna array was constructed. The initial lease was a period of five years with the option to extend the lease for three additional five year periods. The Township has entered the first extension period. The lease was purchased by American Tower Corporation. The minimum rental payments to be received for the next five years are as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2007	\$ 38,096
2008	38,096
2009	38,096
2010	38,096
2011	38,096
	<u>\$ 190,480</u>

The Township has entered into an income lease agreement with Jordan Development Company, L.L.C. dated December, 2005 to lease 1.1 acres of land for the purpose of oil and gas exploration. Initial consideration of \$100 was received in the fiscal year ending March 31, 2006. The initial lease is for a period of three years with the option to extend if oil or gas is found and a well is being worked. The lease may be extended until a well is no longer being worked on the land. If oil or gas is found, the consideration to the Township would consist of 1/6 of the oil or gas produced at the well or 1/6 of the net amount realized on the sale of the oil or gas by Jordan Development Company, L.L.C.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**F. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township of Banks for the year ended March 31, 2006:

	<u>NOTES PAYABLE</u>
Long -Term Debt Payable	
At April 1, 2005	\$ 240,000
New Debt Incurred	0
Payments on Debt	<u>(240,000)</u>
LONG-TERM DEBT PAYABLE	
AT MARCH 31, 2006	\$ <u>0</u>
Due Within One Year	\$ <u>0</u>

**G. Advances to/from Other Funds**

Advances to/from Other Funds at March 31, 2006 consisted of the following:

Advance	
\$200,000 owed by the Fire fund to the General fund due	
in annual installments of \$40,000 through March 31, 2011,	
interest at 2.0% compounded annually.	\$ <u>200,000</u>

The annual requirements to amortize advance outstanding as of March 31, 2006 are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2007	\$ 40,000	\$ 4,000	\$ 44,000
2008	40,000	3,200	43,200
2009	40,000	2,400	42,400
2010	40,000	1,600	41,600
2011	<u>40,000</u>	<u>800</u>	<u>40,800</u>
	\$ <u>200,000</u>	\$ <u>12,000</u>	\$ <u>212,000</u>

**H. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

FUND BALANCE/NET ASSETS

Reserved	
Special Revenue Funds	
Municipal Street Fund	
Road Improvements	\$ 33,529
Liquor Law Enforcement Fund	
Liquor Law Enforcement	1,536
TOTAL FUND BALANCE/NET ASSETS RESERVES	<u>\$ 35,065</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Property Tax Administration Fee**

The township passed a resolution on September 19, 1983, to charge 1% administration fee on all ad valorem taxes levied after this date. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**C. Due from Other Governments**

Amount due from other governments consists of \$15,155 in state-shared revenues.

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND				MUNICIPAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 91,000	\$ 91,990	\$ 95,768	\$ 3,778	\$ 70,200	\$ 70,089	\$ 70,238	\$ 149
Licenses and Permits	5,000	4,875	3,740	(1,135)	0	0	0	0
State Grants	90,000	89,826	90,937	1,111	3,000	3,000	3,117	117
Charges for Services	2,200	3,073	3,074	1	0	0	0	0
Interest and Rents	39,000	49,395	50,131	736	100	100	365	265
Other Revenues	0	455	392	(63)	0	0	13	13
Total Revenues	\$ 227,200	\$ 239,614	\$ 244,042	\$ 4,428	\$ 73,300	\$ 73,189	\$ 73,733	\$ 544
<u>EXPENDITURES</u>								
Legislative								
Township Board	\$ 8,500	\$ 8,500	\$ 7,761	\$ 739	\$ 0	\$ 0	\$ 0	\$ 0
General Government								
Supervisor	8,500	8,500	7,455	1,045	0	0	0	0
Election	500	800	794	6	0	0	0	0
Attorney	5,000	5,000	2,661	2,339	0	0	0	0
Clerk	15,000	15,000	14,180	820	0	0	0	0
Assessor	18,500	18,600	18,550	50	0	0	0	0
Board of Review	1,000	1,100	1,094	6	0	0	0	0
Treasurer	22,000	22,000	19,766	2,234	0	0	0	0
Data Processing	2,000	3,000	2,807	193	0	0	0	0
Building and Grounds	15,000	23,600	21,271	2,329	0	0	0	0
Cemetery	22,000	22,000	15,176	6,824	0	0	0	0
Public Safety								
Fire Department	200	200	90	110	0	0	0	0
Public Works								
Street Maintenance	0	0	0	0	124,800	124,825	128,424	(3,599)
Street Lighting	1,800	1,800	1,668	132	0	0	0	0
Cleanup Day	8,000	12,300	12,230	70	0	0	0	0
Recycle and Waste	1,000	1,000	1,000	0	0	0	0	0
Health and Welfare								
Ambulance	3,500	3,500	3,500	0	0	0	0	0
Rescue Department	15,000	15,000	11,567	3,433	0	0	0	0
Community and Economic Development								
Planning and Zoning	20,000	20,000	17,755	2,245	0	0	0	0
Recreation and Cultural								
Recreation and Parks	6,500	6,500	6,380	120	0	0	0	0
Library	1,500	1,600	1,562	38	0	0	0	0
Other Functions								
Insurance and Bonds	6,500	6,500	4,626	1,874	0	0	0	0
Employee Benefits	5,500	5,500	4,748	752	0	0	0	0
Refunds and Rebates	500	500	104	396	0	0	0	0
Miscellaneous	29,200	29,200	500	28,700	0	0	0	0
Total Expenditures	\$ 217,200	\$ 231,700	\$ 177,245	\$ 54,455	\$ 124,800	\$ 124,825	\$ 128,424	\$ (3,599)
Excess (Deficiency) of Revenues over Expenditures	\$ 10,000	\$ 7,914	\$ 66,797	\$ 58,883	\$ (51,500)	\$ (51,636)	\$ (54,691)	\$ (3,055)
<u>OTHER FINANCING SOURCES (USES)</u>								
Advances to Other Funds	\$ 0	\$ 0	\$ 200,000	\$ (200,000)	\$ 0	\$ 0	\$ 0	\$ 0
Transfers (Out) In	(10,000)	(10,000)	(10,000)	0	10,000	10,000	10,000	0
Total Other Financing Sources (Uses)	\$ (10,000)	\$ (10,000)	\$ 190,000	\$ 200,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Net Change in Fund Balance	\$ 0	\$ (2,086)	\$ 256,797	\$ 258,883	\$ (41,500)	\$ (41,636)	\$ (44,691)	\$ (3,055)
FUND BALANCE - Beginning of Year	174,509	174,509	192,690	18,181	73,268	73,268	78,223	4,955
FUND BALANCE - End of Year	\$ 174,509	\$ 172,423	\$ 449,487	\$ 277,064	\$ 31,768	\$ 31,632	\$ 33,532	\$ 1,900

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	FIRE FUND				LIQUOR LAW ENFORCEMENT FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 98,280	\$ 104,380	\$ 103,363	\$ (1,017)	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	0	0	0	0	0	0	0	0
State Grants	0	0	0	0	1,100	1,100	1,100	0
Charges for Services	400	2,000	2,020	20	0	0	0	0
Interest and Rents	600	2,300	2,561	261	0	0	71	71
Other Revenues	0	0	73	73	0	0	0	0
Total Revenues	\$ 99,280	\$ 108,680	\$ 108,017	\$ (663)	\$ 1,100	\$ 1,100	\$ 1,171	\$ 71
<u>EXPENDITURES</u>								
Legislative								
Township Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government								
Supervisor	0	0	0	0	0	0	0	0
Election	0	0	0	0	0	0	0	0
Attorney	0	0	0	0	0	0	0	0
Clerk	0	0	0	0	0	0	0	0
Assessor	0	0	0	0	0	0	0	0
Board of Review	0	0	0	0	0	0	0	0
Treasurer	0	0	0	0	0	0	0	0
Data Processing	0	0	0	0	0	0	0	0
Building and Grounds	0	0	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0	0	0
Public Safety								
Fire Department	54,600	57,670	55,242	2,428	0	0	0	0
Liquor Law Enforcement	0	0	0	0	1,200	1,225	1,225	0
Public Works								
Street Lighting	0	0	0	0	0	0	0	0
Cleanup Day	0	0	0	0	0	0	0	0
Recycle and Waste	0	0	0	0	0	0	0	0
Health and Welfare								
Ambulance	0	0	0	0	0	0	0	0
Rescue Department	0	0	0	0	0	0	0	0
Community and Economic Development								
Planning and Zoning	0	0	0	0	0	0	0	0
Recreation and Cultural								
Recreation and Parks	0	0	0	0	0	0	0	0
Library	0	0	0	0	0	0	0	0
Other Functions								
Insurance and Bonds	0	0	0	0	0	0	0	0
Employee Benefits	0	0	0	0	0	0	0	0
Refunds and Rebates	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0
Debt Service								
Principal	49,225	49,225	240,000	(190,775)	0	0	0	0
Interest	0	0	8,804	(8,804)	0	0	0	0
Total Expenditures	\$ 103,825	\$ 106,895	\$ 304,046	\$ (197,151)	\$ 1,200	\$ 1,225	\$ 1,225	\$ 0
Net Change in Fund Balance	\$ (4,545)	\$ 1,785	\$ (196,029)	\$ (197,814)	\$ (100)	\$ (125)	\$ (54)	\$ 71
<u>FUND BALANCE - Beginning of Year</u>	121,535	121,535	129,737	8,202	1,590	1,590	1,590	0
<u>FUND BALANCE - (DEFICIT) - End of Year</u>	\$ 116,990	\$ 123,320	\$ (66,292)	\$ (189,612)	\$ 1,490	\$ 1,465	\$ 1,536	\$ 71

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2006

ASSETS

Cash	\$ 62,000
Investments	167,366
Taxes Receivable	5,117
Due from Other Governments	15,155
Due from Other Funds	40,000
Advances to Other Funds	<u>160,000</u>
 TOTAL ASSETS	 <u>\$ 449,638</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 151</u>
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FUND BALANCE

Reserved for Advances	\$ 160,000
Unreserved	<u>289,487</u>

Total Fund Balance	<u>\$ 449,487</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 449,638</u></u>
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BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 91,000	\$ 91,990	\$ 95,768
Licenses and Permits	5,000	4,875	3,740
State Grants	90,000	89,826	90,937
Charges for Services	2,200	3,073	3,074
Interest and Rents	39,000	49,395	50,131
Other Revenues	0	455	392
Total Revenues	\$ 227,200	\$ 239,614	\$ 244,042
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 8,500	\$ 8,500	\$ 7,761
General Government			
Supervisor	8,500	8,500	7,455
Election	500	800	794
Attorney	5,000	5,000	2,661
Clerk	15,000	15,000	14,180
Assessor	18,500	18,600	18,550
Board of Review	1,000	1,100	1,094
Treasurer	22,000	22,000	19,766
Data Processing	2,000	3,000	2,807
Building and Grounds	15,000	23,600	21,271
Cemetery	22,000	22,000	15,176
Public Safety			
Fire Department	200	200	90
Public Works			
Street Lighting	1,800	1,800	1,668
Cleanup Day	8,000	12,300	12,230
Recycle and Waste	1,000	1,000	1,000
Health and Welfare			
Ambulance	3,500	3,500	3,500
Rescue Department	15,000	15,000	11,567

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
Community and Economic Development			
Planning and Zoning	20,000	20,000	17,755
Recreation and Cultural			
Recreation and Parks	6,500	6,500	6,380
Library	1,500	1,600	1,562
Other Functions			
Insurance and Bonds	6,500	6,500	4,626
Employee Benefits	5,500	5,500	4,748
Refunds and Rebates	500	500	104
Miscellaneous	29,200	29,200	500
Total Expenditures	\$ 217,200	\$ 231,700	\$ 177,245
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,000	\$ 7,914	\$ 66,797
<u>OTHER FINANCING SOURCES (USES)</u>			
Advances to Other Funds	\$ 0	\$ 0	\$ 200,000
Transfers Out	(10,000)	(10,000)	(10,000)
Total Other Financing Sources (Uses)	\$ (10,000)	\$ (10,000)	\$ 190,000
Net Change in Fund Balance	\$ 0	\$ (2,086)	\$ 256,797
<u>FUND BALANCE</u> - Beginning of Year	174,509	174,509	192,690
<u>FUND BALANCE</u> - End of Year	\$ 174,509	\$ 172,423	\$ 449,487

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

MUNICIPAL STREET FUND

BALANCE SHEET  
MARCH 31, 2006

ASSETS

Investments	\$ 28,412
Taxes Receivable	<u>5,117</u>
 TOTAL ASSETS	 <u><u>\$ 33,529</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Road Improvements	<u>33,529</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 33,529</u></u>

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

MUNICIPAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 70,200	\$ 70,089	\$ 70,238
State Grants	3,000	3,000	3,117
Interest and Rents	100	100	365
Other Income	0	0	13
Total Revenues	\$ 73,300	\$ 73,189	\$ 73,733
<u>EXPENDITURES</u>			
Public Works			
Road Maintenance	\$ 124,800	\$ 128,425	\$ 128,424
Other Functions			
Refunds and Rebates	0	4	3
Total Expenditures	\$ 124,800	\$ 128,429	\$ 128,427
Excess (Deficiency) of Revenues Over Expenditures	\$ (51,500)	\$ (55,240)	\$ (54,694)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	10,000	10,000	10,000
Net Change in Fund Balance	\$ (41,500)	\$ (45,240)	\$ (44,694)
<u>FUND BALANCE</u> - Beginning of Year	73,268	73,268	78,223
<u>FUND BALANCE</u> - End of Year	\$ 31,768	\$ 28,028	\$ 33,529

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

FIRE FUND

BALANCE SHEET  
MARCH 31, 2006

ASSETS

Investments	\$ 126,388
Taxes Receivable	<u>7,661</u>
 TOTAL ASSETS	 <u><u>\$ 134,049</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 341
Due to Other Funds	40,000
Advance from Other Funds	<u>160,000</u>
 Total Liabilities	 <u>\$ 200,341</u>

FUND BALANCE - (DEFICIT)

Reserved for Fire Protection	<u>\$ (66,292)</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 134,049</u></u>

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 98,280	\$ 104,380	\$ 103,363
Charges for Services	400	2,000	2,020
Interest and Rents	600	2,300	2,561
Other Income	0	0	73
Total Revenues	\$ 99,280	\$ 108,680	\$ 108,017
<u>EXPENDITURES</u>			
Public Safety			
Fire Department			
Personal Services			
Training	\$ 2,500	\$ 3,600	\$ 3,510
Officers Compensation	3,050	3,050	3,050
Meeting Reimbursement	4,000	5,600	5,521
Supplies			
Gasoline	1,200	1,460	1,464
Other Supplies and Equipment	7,200	7,200	8,415
Other Services and Charges			
Insurance			
Property and Liability	16,700	16,700	15,914
Workers Compensation	1,300	1,300	676
Death and Disability	1,000	1,000	976
Repairs	4,000	2,600	1,305
Telephone	600	605	603
Building Maintenance and Utilities	7,000	7,305	7,272
Training Fees and Materials	0	1,200	1,191
Travel and Expense	5,450	5,450	5,092
Miscellaneous	400	400	247
Refunds and Rebates	200	200	6

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
Debt Service			
Principal	49,225	49,225	240,000
Interest	0	0	8,804
Total Expenditures	\$ 103,825	\$ 106,895	\$ 304,046
Excess (Deficiency) of Revenues			
Over Expenditures	\$ (4,545)	\$ 1,785	\$ (196,029)
<u>FUND BALANCE</u> - Beginning of Year	\$ 121,535	\$ 121,535	\$ 129,737
<u>FUND BALANCE - (DEFICIT)</u> - End of Year	\$ 116,990	\$ 123,320	\$ (66,292)

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

BALANCE SHEET  
MARCH 31, 2006

ASSETS

Investments	\$ 1,536
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LIABILITIES AND FUND BALANCE

<u>Liabilities</u>	\$ 0
<u>Fund Balance</u>	
Reserved for Liquor Law Enforcement	1,536
Total Liabilities and Fund Balance	\$ 1,536

BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
State Grants			
State Shared Revenue			
Liquor License Fees	\$ 1,100	\$ 1,100	\$ 1,100
Interest and Rents			
Interest	0	0	71
Total Revenue	\$ 1,100	\$ 1,100	\$ 1,171
<u>EXPENDITURES</u>			
Public Safety			
Liquor Law Enforcement			
Inspector Fees	\$ 800	\$ 825	\$ 825
Administration Fees	400	400	400
Total Expenditures	\$ 1,200	\$ 1,225	\$ 1,225
Excess (Deficiency) of Revenues			
Over Expenditures	\$ (100)	\$ (125)	\$ (54)
<u>FUND BALANCE</u> - Beginning of Year	1,590	1,590	1,590
<u>FUND BALANCE</u> - End of Year	\$ 1,490	\$ 1,465	\$ 1,536



BANKS TOWNSHIP, ANTRIM COUNTY  
ELLSWORTH, MICHIGAN

STATEMENT OF 2005 SUMMER PROPERTY TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$	437,855	
County - State Education Tax		<u>128,591</u>	\$ 566,446

TAXES COLLECTED

County	\$	421,220	
County - State Education Tax		<u>123,706</u>	<u>544,926</u>

TAXES RETURNED DELINQUENT

County	\$	16,635	
County - State Education Tax		<u>4,885</u>	<u><u>\$ 21,520</u></u>

BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

STATEMENT OF 2005 WINTER PROPERTY TAX ROLL

MARCH 31, 2006

TAXES ASSESSED

County	\$	337,205	
Township			
Operating		70,238	
Roads		70,238	
Fire		103,363	
Schools			
Central Lake Public Schools		1,992	
Charlevoix Public Schools		74,478	
Ellsworth Community School		630,264	
Intermediate School		197,178	
District Library			
Central Lake		170	
Charlevoix		11,011	\$ 1,496,137

TAXES COLLECTED

County	\$	312,640	
Township			
Operating		65,122	
Roads		65,122	
Fire		95,701	
Schools			
Central Lake Public Schools		1,931	
Charlevoix Public Schools		73,610	
Ellsworth Community School		582,456	
Intermediate School		182,814	
District Library			
Central Lake		155	
Charlevoix		10,541	1,390,092

BANKS TOWNSHIP, ANTRIM COUNTY

ELLSWORTH, MICHIGAN

STATEMENT OF 2005 WINTER PROPERTY TAX ROLL

MARCH 31, 2006

TAXES RETURNED DELINQUENT

County	\$	24,565	
Township			
Operating		5,116	
Roads		5,116	
Fire		7,662	
Schools			
Central Lake Public Schools		61	
Charlevoix Public Schools		868	
Ellsworth Community School		47,808	
Intermediate School		14,364	
District Library			
Central Lake		15	
Charlevoix		470	
		<hr/>	<hr/>
	\$		106,045

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 17, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Banks Township  
Antrim County  
Ellsworth, Michigan

During the course of our audit of the basic financial statements of Banks Township for the year ended March 31, 2006, we noted the following items:

Budgeting

Except for not budgeting for loan proceeds for a fire truck purchase, the Township is doing an excellent job of complying with Act 621 of the Public Acts of 1978, The Uniform Budgeting and Accounting Act.

General Recordkeeping

The accounting records being maintained for the year ended March 31, 2006, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk and treasurer for their fine effort.

New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for Township financial statements. For the Township these changes were implemented in the March 31, 2006 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that reports financial information on a government wide basis and incorporates capital assets, and a provision for depreciation on those assets.

We commend the Township for their diligent efforts and assistance necessary to implement these rather radical changes as required by this new reporting pronouncement.

#### Fund Balance Deficit

At March 31, 2006, the Township's Fire Fund reported a deficit of \$66,292. This deficit was the result of taking an advance of \$200,000 from the general fund and paying off a bank installment loan on a fire truck. Appropriate repayment terms, including interest, have been established to repay the general fund advance. We believe this was a wise financial decision and because the deficit was strictly the result of an advance between funds that a deficit reduction plan is not needed.

#### Internal Control

While we observed that bills are approved for payment by the Township board, we did not observe evidence of approval for payment on the bills themselves. We suggest that as a method of strengthening internal control the Township consider having a board member sign the bills approved for payment.

#### Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Banks Township for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the Board for its continued confidence in our firm and to thank the Township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

134 WEST HARRIS STREET  
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M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
DALE D. COTTER, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

May 17, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Banks Township  
Antrim County  
Ellsworth, Michigan

In planning and performing our audit of the basic financial statements of Banks Township, Antrim County, Ellsworth, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*